

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

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CEA-02 PRS-01 USIA-15 PA-03 RSR-01 /165 W

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R 271420Z JUL 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0017

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY ATHE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

AMCONSUL NAPLES

UNCLAS ROME 7482

E.O. 11652 N/A

TAGS: EFIN, IT

SUBJ: CREDIT MEASURES TO FAVOR SMALL INDUSTRIES AND REDUCE  
SPECULATION.

REF: (A) ROME 5593 OF JUNE 19, 1973; (B) ROME 7376 OF JULY

25, 1973

1. /SUMMARY/: CREDIT MEASURES TAKEN JULY 26 ARE AIMED AT  
FAVORING BANKING CREDITS TO SMALL AND MEDIUM INDUSTRY AT EXPEN-  
SE OF COMMERCIAL, FINANCIAL AND CONSUMER CREDITS. LIMIT OF  
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12 PERCENT WILL BE PLACED ON INCREASE IN BANK CREDITS TO LARGE

INDUSTRIAL CLIENTS AND TO COMMERCIAL, FINANCIAL AND CONSUMER CLIENTS. MEASURE IS TAKEN TO COMPLEMENT JUNE 18 CREDIT MEASURE AND JUNE 24 ANTI-INFLATION PACKAGE.

/END SUMMARY/.

2. MINISTER OF TREASURY WITH CONSENT OF BUDGET AND FINANCE MINISTERS AND BANK OF ITALY GOVERNOR ISSUED FOUR-PART INSTRUCTION JULY 26 TO ITALIAN BANKS WHICH PLACED RESTRICTION ON CERTAIN KINDS OF SHORT-TERM WORKING CAPITAL CREDITS. (A) ALL BANKS (EXCEPT HANDICRAFT BANKS AND CENTRAL CREDIT INSTITUTES) MUST LIMIT TO 12 PERCENT INCREASES IN CREDITS GRANTED TO ANY CLIENT WHOSE LOANS OUTSTANDING WITH BANK AS OF MARCH 31, 1973 WERE EQUAL TO, MORE THAN, OR SUBSEQUENTLY REACH, 500 MILLION LIRE. LIMIT OF 12 PERCENT IS APPLICABLE FOR ONE-YEAR PERIOD ENDING MARCH 31, 1974. INTER-BANK CREDITS ARE EXCLUDED. (B) TWELVE PERCENT LIMIT ALSO APPLIES TO INCREASE IN CREDITS TO ALL OF FOLLOWING BANK CLIENTS: FINANCIAL COMPANIES, NON-FINANCIAL COMPANIES (IN WHOLESALE, RETAIL AND OTHER RELATED COMMERCIAL ACTIVITIES) AND NON-PROFIT ORGANIZATIONS FAMILIES AND NON-CLASSIFIED BORROWERS, WITHOUT REGARD TO AMOUNT OF CREDIT OUTSTANDING. (C) PRE-FINANCING LOANS FROM SPECIAL CREDIT INSTITUTES ARE EXCLUDED FROM CREDIT LIMITS . (D) EXCEPTIONS TO ABOVE LIMITS MAY BE MADE BY BANK OF ITALY UPON ADEQUATE JUSTIFICATION.

3. AIM OF MEASURES IS TO DIRECT SHORT-TERM BANK CREDIT TOWARD SMALL AND MEDIUM INDUSTRY. MONETARY AUTHORITIES BELIEVE THAT RESTRICTION ON SHORT-TERM CREDIT TO LARGE FIRMS MAY HELP TO LIMIT FINANCING OF SPECULATIVE ACTIVITIES, SINCE LARGE FIRMS ARE MORE APT TO HAVE SUFFICIENT RESOURCES AND EXPERTISE AVAILABLE TO ENGAGE IN SUCH ACTIVITIES. ALSO, FINANCIAL, COMMERCIAL AND CONSUMER CLIENTS BY VERY NATURE OF THEIR OPERATIONS ARE MORE APT TO BE INVOLVED IN SPECULATION STOCK MARKET AND INVENTORIES .

4. /COMMENT/: LATEST CREDIT MEASURES ARE AIMED AT COMPLETING JUNE 18 CREDIT MEASURE (SEE REF A). EARLIER REGULATION, IN EFFECT, FAVORED LARGE FIRMS BY FORCING BANKS TO INVEST IN CERTAIN MEDIUM AND LONG-TERM SECURITIES, WHICH ARE MOST OFTEN ISSUED BY LARGE FIRMS. PRESENT MEASURE UNCLASSIFIED

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IS AIMED AT FAVORING ECONOMIC ACTIVITIES OF SMALL AND MEDIUM INDUSTRIES WHO ARE LESS LIKELY TO HAVE ACCESS TO LONGER TERM CAPITAL MARKETS. ALTHOUGH MONETARY AUTHORITIES STATE THAT MEASURE IS NOT DESIGNED TO REDUCE GLOBAL BANK CREDIT, BUT ONLY TO REALLOCATE CREDIT, THERE MAY STILL BE SOME OVERALL RESTRICTIVE AFFECT. BOTH RECENT CREDIT MEASURES ARE DESIGNED TO ENCOURAGE INDUSTRIAL INVESTMENT AT EXPENSE OF SPECULATIVE USES OF CREDIT. JULY 26 MEASURE ALSO COMPLEMENTS ANTI-INFLATION PACKAGE (REF B)

BY MAKING IT MORE DIFFICULT FOR FIRMS TO BUILD UP INVENTORIES  
OF STOCKS FOR SPECULATIVE PURPOSES AND BY MAKING CONSUMER CREDIT  
LESS READILY AVAILABLE.VOLPE

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